

Company Registration No. 00048511 (England and Wales)

**HAYNES BROTHERS,LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**

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# **HAYNES BROTHERS,LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	A.D.S. Haynes L. Haynes S. Hyde G. Regan
<b>Secretary</b>	T.J. Pickard
<b>Company number</b>	00048511
<b>Registered office</b>	23 Ashford Road Maidstone Kent ME14 5DQ
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Marlborough House Victoria Road South Chelmsford Essex CM1 1LN

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# HAYNES BROTHERS, LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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The Directors present the strategic report for the year ended 31 December 2018.

#### Fair review of the business

Following on from strong performance in 2017, 2018 proved to be altogether more challenging. Consumer demand has been hampered by concerns over diesel engines, while BREXIT uncertainty looms over the UK and European economies further suppressing demand across all sectors.

Despite the economic climate, turnover increased 0.8%. This increase has been driven by combine harvester sales in the group's Agricultural division. The Company's Agricultural business increased turnover by 10.9%. Turnover in the Truck business was consistent with the prior year and turnover in the Ford business decreased by 2.9%.

Margins came under pressure across the group as all divisions fought hard to maintain volumes, volumes which are key to satisfying the major manufacturers that the Company works with.

The Company took the decision to increase stocks towards the end of 2018 as the first BREXIT deadline loomed, this accounts for the degradation in stock turns and increased pressure on working capital.

We consider that our key financial performance indicators are turnover, gross profit margin, stock turn and number of units sold. These indicators are monitored on a monthly basis. As at 31st December, these KPIs are:

	2018	2017 as restated
Turnover	£81.3m	£80.7m
Gross profit margin	7.0%	7.5%
Stock turn	4.8	5.7
Number of units sold	3,922	4,173

The Operations Directors meet weekly to discuss a number of financial issues, but also consider other non-financial items. These include staff turnover, workshop efficiency rates, key customer contracts and manufacturer performance bonuses.

2018 was another year of development for the Company. Key personnel changes in the truck side of the business, prompted by the retirement of the Operations Director, coupled with some reorganisation within our suppliers, proved more disruptive than anticipated. However, the restructuring action that the Company has taken as a result, has laid the foundations for improved performance going forwards. During the latter part of the year, the Company invested heavily in a regeneration programme for the truck and commercial vehicle workshop at its main site on Ashford Road, which will enable it to increase throughput through its commercial workshop.

The consolidation project completed in 2017 has enabled the Company to grow its Accident Repair business and maintain its market leading position with Ford in Kent.

In the opinion of the Directors, the Company has very strong underlying businesses with a wide customer base, good franchises and a committed, experienced staff. The fact that the Company operates in different business areas with different economic cycles, should continue to assist it to make the most of these uncertain times.

#### Conclusion

The Company remains a firm partner with each of the major manufacturers it represents and overall its balance sheet continues to reflect a very strong commercial base from which the Company will continue to expand its operations wherever appropriate.

# HAYNES BROTHERS,LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### **Principal risks and uncertainties**

The Company seeks to balance risks with the costs of risk mitigation. The Company's main exposure to risk arises in the following areas:

- The Company has substantial working capital, which is funded by borrowings from the bank, from manufacturers and from other stock funders. The interest charged on these borrowings is dependent on underlying base rates and the Company is therefore exposed to interest rate risks. The Company constantly monitors trends in interest rates and if appropriate takes necessary action to mitigate its exposure.
- The Company has to nominate the vehicles which it wishes to acquire in the coming year and therefore is exposed to the risks associated with this commitment. The Company monitors levels of current stocks and market conditions before making its purchasing decisions.
- The Company is exposed to pricing risks through the stocks of used vehicles and vehicles for its own use. The pricing risk relating to new vehicles is mitigated by the use of consignment stock.

The Company is not exposed to foreign exchange risk and credit risk is not considered significant as the Company only extends credit in respect of certain activities and there is only very limited concentration of credit.

By order of the board



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T.J. Pickard

Secretary

25th September 2019

# HAYNES BROTHERS, LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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The Directors present their annual report and financial statements for the year ended 31 December 2018.

#### Principal activities

**Haynes Bros Ltd**, established in 1790 and incorporated in 1896, is the holding company for 4 operating divisions:

**Haynes of Maidstone trading as Haynes Ford** is Kent's first Ford Main Dealer having been appointed in 1911. It distributes Ford cars and, as a Transit Centre, Ford commercial vehicles. It also operates with 'Ford Store' status. The Company is also a Ford car and commercial vehicle authorised repairer and has a Ford accredited Accident Repair Centre, supported by a large parts centre. It also operates the Ford Approved Used and Ford Direct franchises.

**Haynes Trucks** has the franchise for Iveco trucks and Iveco Daily vans covering most of Kent with freehold depots at Maidstone and Ashford. It also has the 'Fiat Professional' Commercial Vehicle franchise covering Maidstone and most of the Medway Towns.

**Haynes Agricultural** as Agricultural Engineers, hold the New Holland franchise for tractors and harvest equipment, as well as other leading makes of agricultural and related equipment, for Kent and part of Sussex. It operates from a large freehold site at Uckfield and rented branches at Great Chart and Wrotham.

**Haynes Agritec** holds the Case IH franchise and JCB agricultural franchise for parts of Kent and Sussex respectively. The Company operates from the Company's freehold site at Uckfield and an 'on farm' depot at Birchington.

#### Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

A.D.S. Haynes

L. Haynes

S. Hyde

G. Regan

(Appointed 10 April 2019)

#### Results and dividends

The results for the year are set out on page 8.

A dividend of £120,000 (2017: £150,000) on ordinary shares was paid in the year. A dividend of £175 (2017: £175) on 3½% preference shares was paid in the year.

#### Disabled persons

It is established Company policy to offer the same opportunity to disabled people as to all others in matters of recruitment and career advancement, provided they have the ability to perform the tasks required with or without training, and to provide retraining where necessary in cases when disability is incurred during employment with the Company.

#### Employee involvement

It is Company policy to ensure that employees are provided with information on all matters of concern to them. Accordingly, appropriate steps are taken to ensure that employees or their representatives are aware of the financial and economic factors affecting the Company's performance, are consulted wherever necessary and are encouraged generally to be involved in the Company's overall performance.

# HAYNES BROTHERS, LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### **Future developments**

During 2018 the Company successfully completed a period of consolidation which placed it in a much stronger financial position. The Company will continue to invest in improvements in its facilities for the benefit of both customers and staff. It will also look at appropriate expansion opportunities as they arise.

### **Going concern**

The Company meets its day to day working capital requirements through an overdraft and loan facility. This is provided by its bank, where the Company has a very long standing relationship, and where, in the opinion of the Directors, the security provided by the Company is more than ample to cover its loan obligations. During the year the Company did not meet some of its bank loan covenants. Consequently, the entire outstanding bank loan has been classified as a current liability at 31 December 2018. After the reporting date, the bank provided the Company with a waiver letter in respect of the covenants and the loan is expected to be repaid in line with the original agreement.

As noted in the Strategic Report the business is operating in challenging times. The current economic conditions create uncertainty of the level of demand for the Company's products and the maintenance of profit margins, although the Company continues to operate across a range of diversified markets which affords it some protection.

The Directors have prepared projections for the period ending 15 months after the approval of these financial statements. These projections have been prepared on the assumption that these economic conditions will continue. On the basis of these projections and the continued support of the bank, the Directors consider that they will have in place all the finance required to support both the current and future activities.

### **Matters of strategic importance**

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of financial risk management objectives and policies, exposure to price risk, credit risk, liquidity risk and cash flow risk.

### **Auditor**

A resolution to reappoint RSM UK Audit LLP as auditor of the Company will be put to the members at the Annual General Meeting.

### **Statement of disclosure to auditor**

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



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T.J. Pickard

**Secretary**

25th September 2019.

# **HAYNES BROTHERS,LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

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*The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.*

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYNES BROTHERS, LIMITED**

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## **Opinion**

We have audited the financial statements of Haynes Brothers Limited (the 'Company') for the year ended 31 December 2018 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAYNES BROTHERS, LIMITED (CONTINUED)

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors' are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

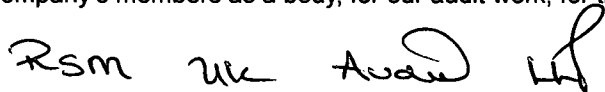
### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Monteith (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Marlborough House

Victoria Road South

Chelmsford

Essex, CM1 1LN

27<sup>th</sup> September 2019.

# HAYNES BROTHERS,LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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		2018	2017
	Notes	£	as restated £
Turnover	4	81,315,075	80,675,784
Cost of sales		(75,652,422)	(74,626,815)
<b>Gross profit</b>		<u>5,662,653</u>	<u>6,048,969</u>
Distribution costs		(1,503,136)	(1,331,916)
Administrative expenses		(4,082,081)	(3,771,207)
<b>Operating profit</b>	8	<u>77,436</u>	<u>945,846</u>
Interest payable and similar expenses	10	(203,240)	(213,761)
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(125,804)</u>	<u>732,085</u>
Taxation	11	5,683	(138,422)
<b>(Loss)/profit for the financial year</b>		<u><u>(120,121)</u></u>	<u><u>593,663</u></u>

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# HAYNES BROTHERS,LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

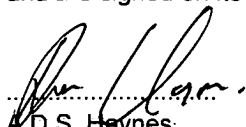
		2018	2017
	Notes	£	as restated £
(Loss)/profit for the year		(120,121)	593,663
<b>Other comprehensive income</b>			
Actuarial loss on defined benefit pension schemes	9	(192,000)	(22,000)
Tax relating to tangible fixed assets held at valuation	11	3,141	55,513
Tax relating to actuarial gains and losses on defined benefit pension schemes	11	32,640	3,740
<b>Other comprehensive income for the year</b>		(156,219)	37,253
<b>Total comprehensive income for the year</b>		(276,340)	630,916

		2018	2017
		£	as restated £
<b>Note of historical cost profits and losses</b>			
(Loss)/profit on ordinary activities before tax		(125,804)	732,085
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount		17,931	17,931
<b>Historical cost profit on ordinary activities before tax</b>		(107,873)	750,016

**HAYNES BROTHERS, LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		2018		2017 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	13	15,424,704		15,424,430	
Investments	14	205		205	
		15,424,909		15,424,635	
<b>Current assets</b>					
Stocks	16	14,589,874		12,172,954	
Debtors	17	6,120,963		6,425,803	
Cash at bank and in hand		3,068		2,786	
		20,713,905		18,601,543	
<b>Creditors: amounts falling due within one year</b>	18	(22,329,842)		(15,962,366)	
<b>Net current (liabilities)/assets</b>		(1,615,937)		2,639,177	
<b>Total assets less current liabilities</b>		13,808,972		18,063,812	
<b>Creditors: amounts falling due after more than one year</b>	19	(112,613)		(3,902,692)	
<b>Provisions for liabilities</b>	23	(968,205)		(1,008,426)	
<b>Net assets excluding pension liability</b>		12,728,154		13,152,694	
<b>Defined benefit pension liability</b>	9	(1,266,000)		(1,289,000)	
<b>Net assets</b>		11,462,154		11,863,694	
<b>Capital and reserves</b>					
Called up share capital	25	60,000		65,000	
Revaluation reserve	27	7,708,679		7,723,469	
Capital redemption reserve	27	355,000		350,000	
Profit and loss reserves	27	3,338,475		3,725,225	
<b>Total equity</b>		11,462,154		11,863,694	

The financial statements were approved by the board of Directors and authorised for issue on 25<sup>th</sup> September 2019 and are signed on its behalf by:

  
A.D.S. Haynes  
Director

# HAYNES BROTHERS,LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>As restated for the period ended 31 December 2017:</b>						
Balance at 1 January 2017	3,25	65,000	7,713,969	350,000	3,346,146	11,475,115
Effect of prior period error	3,25	-	-	-	(92,162)	(92,162)
<b>As restated</b>	<b>3,25</b>	<b>65,000</b>	<b>7,713,969</b>	<b>350,000</b>	<b>3,253,984</b>	<b>11,382,953</b>
<b>Year ended 31 December 2017:</b>						
Profit for the year		-	-	-	593,663	593,663
Other comprehensive income:						
Actuarial losses on defined benefit plans		-	-	-	(22,000)	(22,000)
Tax relating to items recognised in other comprehensive income		-	55,513	-	3,740	59,253
Total comprehensive income for the year		-	55,513	-	575,403	630,916
Dividends		-	-	-	(150,175)	(150,175)
Transfers		-	(46,013)	-	46,013	-
<b>Balance at 31 December 2017</b>	<b>3,25</b>	<b>65,000</b>	<b>7,723,469</b>	<b>350,000</b>	<b>3,725,225</b>	<b>11,863,694</b>
<b>Year ended 31 December 2018:</b>						
Loss for the year		-	-	-	(120,121)	(120,121)
Other comprehensive income:						
Actuarial losses on defined benefit plans		-	-	-	(192,000)	(192,000)
Tax relating to items recognised in other comprehensive income		-	3,141	-	32,640	35,781
Total comprehensive income for the year		-	3,141	-	(279,481)	(276,340)
Dividends		-	-	-	(120,175)	(120,175)
Own shares acquired	25	-	-	-	(5,025)	(5,025)
Redemption of shares	25	(5,000)	-	5,000	-	-
Transfers		-	(17,931)	-	17,931	-
<b>Balance at 31 December 2018</b>	<b>25</b>	<b>60,000</b>	<b>7,708,679</b>	<b>355,000</b>	<b>3,338,475</b>	<b>11,462,154</b>

# HAYNES BROTHERS,LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26	642,780		643,391	
Income taxes paid		(22,446)		(162,641)	
<b>Net cash inflow from operating activities</b>		<b>620,334</b>		<b>480,750</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(481,163)		(1,087,249)	
Proceeds on disposal of tangible fixed assets				2,757,220	
<b>Net cash (used in)/generated from investing activities</b>		<b>(481,163)</b>		<b>1,669,971</b>	
<b>Financing activities</b>					
Purchase of own shares		(5,025)		-	
Repayment of bank loans		(212,000)		(1,839,000)	
Payment of finance leases obligations		(56,272)		(107,843)	
Interest paid		(172,240)		(172,761)	
Dividends paid		(120,175)		(150,175)	
<b>Net cash used in financing activities</b>		<b>(565,712)</b>		<b>(2,269,779)</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>(426,541)</b>		<b>(119,058)</b>	
Cash and cash equivalents at beginning of year		(829,413)		(710,355)	
<b>Cash and cash equivalents at end of year</b>		<b>(1,255,954)</b>		<b>(829,413)</b>	
<b>Relating to:</b>					
Cash at bank and in hand		3,068		2,786	
Bank overdrafts included in creditors payable within one year		(1,259,022)		(832,199)	

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1. Accounting policies

#### Company information

Haynes Brothers,Limited is a private company limited by shares incorporated in England and Wales. The registered office is 23 Ashford Road, Maidstone, Kent, ME14 5DQ.

The Company's principal activities and the nature of its operations are disclosed in the Strategic and Directors' Report.

#### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

The subsidiary undertakings of Haynes Brothers,Limited are dormant and their assets and liabilities are not considered material. Therefore, consolidated accounts have not been prepared.

#### Going concern

The Company meets its day to day working capital requirements through an overdraft and loan facility. This is provided by its bank, where the Company has a very long standing relationship, and where, in the opinion of the Directors, the security provided by the Company is more than ample to cover its loan obligations. During the year the Company did not meet some of its bank loan covenants. Consequently, the entire outstanding bank loan has been classified as a current liability at 31 December 2018. After the reporting date, the bank provided the Company with a waiver letter in respect of the covenants and the loan is expected to be repaid in line with the original agreement.

As noted in the Strategic Report the business is operating in challenging times. The current economic conditions create uncertainty of the level of demand for the Company's products and the maintenance of profit margins although the Company continues to operate across a range of diversified markets which affords it some protection.

The Directors have prepared projections for the period ending 15 months after the approval of these financial statements. These projections have been prepared on the assumption that these economic conditions will continue. On the basis of these projections and the continued support of the bank, the Directors consider that they will have in place all the finance required to support both the current and future activities.

#### Turnover

Turnover is recognised at the fair value of the consideration received for the following, provided in the normal course of business, and is shown net of discounts, VAT and other sales related taxes:

Trucks, commercial vehicles, cars, parts, tractors  
and agricultural implements, new agricultural combines  
Service

On delivery to the customer  
On release of the vehicle to the customer

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1. Accounting policies (Continued)

#### **Intangible fixed assets - goodwill**

Goodwill representing the excess of the purchase price compared with the fair value of the identifiable net assets acquired is capitalised and written off evenly over 5 years as in the opinion of the Directors this represents the period over which the goodwill is effective.

#### **Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, so as to write off the cost or valuation of assets less their residual values on a straight line basis over their useful lives as follows:

Freehold buildings	1%
Leasehold premises	over the lease term
Plant and equipment	10-20%
Fixtures and fittings	10-20%
Computers	10-20%
Motor vehicles	written down to estimated useful value

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### **Fixed asset investments**

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

#### **Impairment of fixed assets**

At each reporting end date, the Company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Consignment stocks are only included within the Company's financial statements when the risks and rewards of ownership are transferred substantially to the Company. Where the risks and rewards of ownership remain with the manufacturer, consignment stocks are not included within the Company's stocks.

Vehicle stocks invoiced to the Company are recognised when the risks and rewards of ownership pass to the Company rather than invoice or delivery date. The risks and rewards of ownership are considered to pass to the Company on the date from which the Company has to pay interest on the invoiced amounts. Prior to that date, the Company bears no stock holding costs.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1. Accounting policies (Continued)

#### **Financial instruments**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade debtors, other debtors and accrued income, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, loans and overdrafts, accruals and preference shares that are classified as debt, are initially recognised at transaction price and subsequently carried at amortised cost.

Loans are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method. Under the effective interest method the interest expense is recognised at the effective interest rate which is the rate that exactly discounts future discounted payments through the expected life of the loan.

#### **Non-equity shares**

Shares are analysed between equity and non-equity shares, dependent on the rights attaching to the shares, and non-equity shares are classed as basic financial liabilities. Dividends on preference shares classed as financial liabilities are presented within interest payable and other charges.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the Company's contractual obligations are discharged, cancelled, or they expire.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (Continued)

##### Equity instruments

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

##### Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

##### Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### Retirement benefits

###### *Defined contribution scheme*

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

###### *Defined benefit scheme*

A full valuation of the liability is calculated by an independent actuary every 3 years and updated on an annual basis using the projected unit method.

The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds); less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Defined benefit schemes are funded, with the assets held separately from the Company in separate trustee administered funds.

#### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### Finance costs

Finance costs of debt and non-equity shares are recognised in profit or loss over the term of such instruments at a constant rate on the carrying amount.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### *Critical area of judgement*

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. This includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made by the Directors as to the recoverability of the carrying amount of stock.

#### *Key sources of estimation uncertainty*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The actuarial calculation of the defined benefit pension scheme requires assumptions to be made in respect of the mortality rates of members, the discount rate and the rate of inflation that should be used. Further details can be found in note 9.

### 3 Prior period adjustment

During the year management carried out a review of the balance sheet and identified adjustments required to reconcile a number of balance sheet accounts, including a final resolution to disputed receivables with two key suppliers, accruals not required and credits received late. Some of these adjustments related to previous periods. Management consider the effect of the errors related to previous periods to be material and, in accordance with FRS 102- Section 10- 'Accounting policies, estimates and errors,' a prior period adjustment has been recognised to correct the accounting retrospectively. The effect of the prior period adjustment on the 31 December 2017 result is a decrease in the profit for the year from £662,527 to £593,663 and the effect on net assets at 31 December 2017 is a reduction from £12,024,720 to £11,863,694. As a result of the reduction in profit in previous periods, the 2017 tax computation will be re-submitted and the liability recognised at 31 December 2017 and paid to HMRC this year is expected to be recovered by the Company. This tax adjustment has also been adjusted retrospectively. The line items affected in the comparative income statement and statement of financial position are shown below:

#### Changes to the statement of financial position

	As previously reported	At 31 December 2017		As restated
		Adjustment at 1 Jan 2017	Adjustment at 31 Dec 2017	
	£	£	£	£
<b>Current assets</b>				
Stocks	11,945,044	(5,619)	233,529	12,172,954
Other debtors	627,566	(23,811)	(14,792)	588,963
Prepayments	2,711,685	(2,856)	(17,569)	2,691,260

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 3 Prior period adjustment

	At 31 December 2017			
	As previously reported	Adjustment at 1 Jan. 2017	Adjustment at 31 Dec 2017	As restated (Continued)
<b>Creditors due within one year</b>				
Trade creditors	(11,956,864)	(1,154)	24,957	(11,933,061)
Corporation tax	(22,446)	-	22,446	-
Other taxation and social security	(293,925)	-	(8,196)	(302,121)
Other creditors	(781,173)	(58,722)	(10,115)	(850,010)
Accruals and deferred income	(1,495,907)	-	(299,124)	(1,795,031)
<b>Capital and reserves</b>				
Profit and loss reserves	3,886,251	(92,162)	(68,864)	3,725,225
<b>Total equity</b>	<b>12,024,720</b>	<b>(92,162)</b>	<b>(68,864)</b>	<b>11,863,694</b>

### Changes to the income statement

	Period ended 31 December 2017		
	As previously reported	Adjustment	As restated
	£	£	£
Turnover	80,929,106	(253,322)	80,675,784
Cost of sales	(74,807,080)	180,265	(74,626,815)
Administrative expenses	(3,752,954)	(18,253)	(3,771,207)
Taxation	(160,868)	22,446	(138,422)
<b>Profit for the financial period</b>	<b>662,527</b>	<b>(68,864)</b>	<b>593,663</b>

### 4 Turnover and other revenue

An analysis of the Company's turnover is as follows:

	2018	2017
	£	as restated £
<b>Turnover analysed by class of business</b>		
Vehicle and part sales	74,610,753	74,265,170
Services	6,704,322	6,410,614
	<b>81,315,075</b>	<b>80,675,784</b>
	2018	2017
	£	£
<b>Turnover analysed by geographical market</b>		
UK	81,315,075	80,675,784

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 5 Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates:		
<b>For audit services</b>		
Audit of the Company's financial statements	37,000	36,000
<b>For other services</b>		
Taxation compliance services	4,100	4,000
All other non-audit services	7,600	7,450
	<u>11,700</u>	<u>11,450</u>

### 6 Employees

The average monthly number of persons (including Directors) employed by the Company during the year was:

	2018 Number	2017 Number
Sales	89	99
Service and workshop	130	123
Management and administration	49	43
	<u>268</u>	<u>265</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	7,788,549	7,393,559
Social security costs	749,955	704,515
Pension costs	84,266	140,867
	<u>8,622,770</u>	<u>8,238,941</u>

### 7 Directors' remuneration

	2018 £	2017 as restated £
Remuneration for qualifying services	231,056	229,635
Benefits	68,190	63,309
Company pension contributions to defined contribution schemes	17,486	17,404
	<u>316,732</u>	<u>310,348</u>

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 7. Directors' remuneration (Continued)

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid Director:

Remuneration for qualifying services	218,575	217,551
Benefits	45,733	43,124
Company pension contributions to defined contribution schemes	17,486	17,404

Total Directors remuneration and the highest paid Director disclosure for 2017 have been restated to correctly reflect all benefits received.

### 8 Operating profit

	2018	2017 as restated
Operating profit for the year is stated after charging:	£	£
Depreciation of owned tangible fixed assets	405,344	309,257
Depreciation of tangible fixed assets held under finance leases	26,190	32,993
Loss on disposal of tangible fixed assets	5,828	-
Cost of stocks recognised as an expense	70,652,139	69,745,455
Impairment of stocks recognised or reversed	22,023	45,638
Operating lease charges	458,823	372,320

The impairment of stocks recognised or reversed is included within cost of sales.

### 9 Retirement benefit schemes

#### Defined contribution schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £147,346 (2017: £140,867). Contributions totalling £20,588 (2017: £20,167) were payable to the fund at the year end.

#### Defined benefit schemes

The Company operates a defined benefit pension scheme based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are agreed with the scheme trustees, on the basis of actuarial recommendations. With effect from 1 October 2003 the Company decided to discontinue future pension benefits accrued in the scheme, with members being entitled to pension or cash sum payable from Normal Retirement Date.

#### Valuation

A full actuarial valuation was carried out as at 1 April 2016. The results of that valuation have been projected to 31 December 2018 and then recalculated based on the assumptions set out below. The liabilities have been calculated on the projected unit method.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 9 Retirement benefit schemes (Continued)

#### *Funding policy*

The Company expects to contribute £251,064 to the scheme during the year ending 31 December 2019.

<i>Key assumptions</i>	<b>2018</b> %	<b>2017</b> %
Discount rate	2.75	2.45
Expected rate of increase of pensions in payment	2.10	2.05
Inflation assumption - RPI	3.10	3.05
Revaluation of deferred pensions	2.10	2.05
Proportion of employees commuting pension for cash	100.00	100.00
<hr/>		
<i>Mortality assumptions</i>	<b>2018</b> Years	<b>2017</b> Years
Assumed life expectations on retirement at age 65:		
Retiring today		
- Males	86.3	86.4
- Females	88.1	88.4
<hr/>		
Retiring in 20 years		
- Males	87.2	87.0
- Females	89.3	89.1
<hr/>		
<i>Amounts recognised in the income statement</i>	<b>2018</b> £	<b>2017</b> £
Net interest on defined benefit liability	31,000	41,000
<hr/>		
<i>Amounts taken to other comprehensive income</i>	<b>2018</b> £	<b>2017</b> £
Actual return on scheme assets	264,000	(282,000)
Less: calculated interest element	120,000	140,000
<hr/>		
Return on scheme assets excluding interest income	384,000	(142,000)
Actuarial changes related to obligations	(192,000)	164,000
<hr/>		
Total costs	192,000	22,000
<hr/>		

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 9 Retirement benefit schemes (Continued)

The amounts included in the statement of financial position arising from the Company's obligations in respect of defined benefit plans are as follows:

	2018 £	2017 £
Present value of defined benefit obligations	5,803,000	6,454,000
Fair value of plan assets	(4,537,000)	(5,165,000)
Deficit in scheme	<u>1,266,000</u>	<u>1,289,000</u>

	2018 £
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2018	6,454,000
Benefits paid	(610,000)
Actuarial gains and losses	(192,000)
Interest cost	151,000
At 31 December 2018	<u>5,803,000</u>

The defined benefit obligations arise from plans which are wholly or partly funded.

	2018 £
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2018	5,165,000
Interest income	120,000
Return on plan assets (excluding amounts included in net interest)	(384,000)
Benefits paid	(610,000)
Contributions by the employer	246,000
At 31 December 2018	<u>4,537,000</u>

	2018 £	2017 £
<i>The analysis of the scheme assets at the reporting date were as follows:</i>		
Equity instruments	3,502,000	4,193,000
Property	237,000	213,000
Bonds	746,000	750,000
Cash	52,000	9,000
	<u>4,537,000</u>	<u>5,165,000</u>

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Interest payable and similar expenses

	2018 £	2017 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	166,740	167,261
Dividends on redeemable preference shares not classified as equity	5,500	5,500
	<u>172,240</u>	<u>172,761</u>
<b>Other finance costs:</b>		
Net interest on the net defined benefit liability	31,000	41,000
	<u>203,240</u>	<u>213,761</u>

### 11 Taxation

	2018 £	2017 as restated £
<b>Current tax</b>		
Adjustments in respect of prior periods	(1,243)	-
	<u></u>	<u></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,440)	138,422
	<u></u>	<u></u>
Total tax (credit)/charge	<u>(5,683)</u>	<u>138,422</u>

The total tax (credit)/charge for the year included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 as restated £
(Loss)/profit before taxation	<u>(125,804)</u>	<u>732,085</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(23,903)	140,926
Adjustments in respect of prior years	(1,243)	-
Other timing differences	19,463	(2,504)
Taxation for the year	<u>(5,683)</u>	<u>138,422</u>

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 11. Taxation (Continued)

In addition to the amount (credited)/charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £	2017 £
Deferred tax arising on:		
Tangible fixed assets held at revaluation	(3,141)	(55,513)
Actuarial differences on defined benefit pension schemes	(32,640)	(3,740)
	<u>(35,781)</u>	<u>(59,253)</u>

### Factors that may affect future, current and total tax charges

In the UK a reduction in the tax rate from 19% to 17% was substantively enacted in September 2016 and will take effect from 1 April 2020.

### 12. Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	26,525
<b>Amortisation and impairment</b>	
At 1 January 2018 and 31 December 2018	26,525
<b>Carrying amount</b>	
At 31 December 2018	-
At 31 December 2017	-

## HAYNES BROTHERS,LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 13 Tangible fixed assets

	Freehold buildings £	Leasehold premises £	Plant and equipment £	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
<b>Cost or valuation</b>							
At 1 January 2018	13,455,758	4,033	922,277	1,373,395	708,342	1,351,269	17,815,074
Additions	-	7,088	56,689	87,393	85,484	298,876	535,530
Disposals	-	-	(15,063)	(418)	-	(184,887)	(200,368)
At 31 December 2018	13,455,758	11,121	963,903	1,460,370	793,826	1,465,258	18,150,236
<b>Depreciation</b>							
At 1 January 2018	149,157	-	462,438	776,498	501,395	501,156	2,390,644
Depreciation charged in the year	34,768	1,418	70,074	104,496	79,233	141,545	431,534
Eliminated in respect of disposals	-	-	(9,278)	(376)	-	(86,992)	(96,646)
At 31 December 2018	183,925	1,418	523,234	880,618	580,628	555,709	2,725,532
<b>Carrying amount</b>							
At 31 December 2018	13,271,833	9,703	440,669	579,752	213,198	909,549	15,424,704
At 31 December 2017	13,306,601	4,033	459,839	596,897	206,947	850,113	15,424,430

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2018 £	2017 £
Motor vehicles	108,650	200,495
Depreciation charge for the year in respect of leased assets	26,190	32,993

The freehold properties were valued at £12,430,000 as at 31 December 2015 by Montagu Evans, Chartered Surveyors, independent valuers not connected with the Company on the basis of market value. The valuation conforms to International Valuation Standards.

The Directors do not consider that the fair value of the properties after taking account of additions is materially different as at 31 December 2018 as compared to 31 December 2015 so no further revaluation has been recognised in the current year.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2018 £	2017 £
Cost	5,112,756	5,112,756
Accumulated depreciation	524,534	507,697
Carrying value	4,588,222	4,605,059

### 14 Fixed asset investments

	Notes	2018 £	2017 £
Investments in subsidiaries	15	205	205

#### Movements in fixed asset investments

	Shares in group undertakings £
Cost	
At 1 January 2018 & 31 December 2018	205
Carrying amount	
At 31 December 2018	205
At 31 December 2017	205

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 15 Subsidiaries

The investments in subsidiary undertakings, which are shown at cost, comprise five dormant wholly owned subsidiary companies.

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Haynes Agricultural Limited	a)	Dormant	Ordinary	99.00	
Haynes Agritec Limited	a)	Dormant	Ordinary	100.00	
Haynes of Maidstone Limited	a)	Dormant	Ordinary		99.00
Haynes Trucks Limited	a)	Dormant	Ordinary	100.00	
The Kent Diesel Centre Limited	a)	Dormant	Ordinary		100.00

Consolidated accounts have not been prepared as the Company's subsidiaries are dormant and their assets and liabilities are insignificant.

a) 23 Ashford Road, Maidstone, Kent, ME14 5DA

### 16 Stocks

	2018	2017
	£	as restated £
Finished goods and goods for resale	14,589,874	12,172,954

The replacement cost of stocks is not materially different from the carrying value.

At 31 December 2018 the total amount of interest bearing consignment stock included above amounted to £3,382,593 (2017: £2,453,284). Excluded from the above is non interest bearing consignment stock of £7,391,851 (2017: £8,705,335).

### 17 Debtors

	2018	2017
	£	as restated £
Amounts falling due within one year:		
Trade debtors	3,694,704	3,145,580
Corporation tax recoverable	23,689	-
Other debtors	829,797	588,963
Prepayments and accrued income	1,572,773	2,691,260
	6,120,963	6,425,803

During the year, an impairment loss of £7,589 (2017: £5,627) was recognised in respect of trade debtors due from customers. This amount is included within administrative expenses.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 18 Creditors: amounts falling due within one year

	Notes	2018 £	2017 as restated £
Bank loans and overdrafts	20	5,045,342	1,044,199
Obligations under finance leases	21	39,593	37,739
Trade creditors		13,424,296	11,933,061
Amounts due to subsidiary undertakings		205	205
Other taxation and social security		353,752	302,121
Other creditors		785,074	850,010
Accruals and deferred income		2,681,580	1,795,031
		<u>22,329,842</u>	<u>15,962,366</u>

Trade creditors of £4,289,684 (2017: £3,544,629) are secured by way of a floating charge on the Company's stock and by way of a fixed and floating charge over all property and assets, debts, building, fixtures and fixed plant and machinery. Finance leases are secured on the related assets.

Other creditors of £147,625 (2017: £194,071) are secured by way of a fixed and floating charge over all property and assets, debts, building, fixtures and fixed plant and machinery.

### 19 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans	20	-	3,786,320
Obligations under finance leases	21	57,613	61,372
Perpetual unsecured loan stock	20	55,000	55,000
		<u>112,613</u>	<u>3,902,692</u>

### 20 Borrowings

	2018 £	2017 £
Bank loans	3,786,320	3,998,320
Bank overdrafts	1,259,022	832,199
Perpetual unsecured loan stock	55,000	55,000
	<u>5,100,342</u>	<u>4,885,519</u>
Payable within one year	5,045,342	1,044,199
Payable after one year	55,000	3,841,320

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 20 Borrowings (Continued)

The bank loans and overdraft are guaranteed by way of a first legal mortgage over the Company's freehold properties at Ashford Road, Maidstone, Ashford and Uckfield, together with a fixed charge over plant, fixtures and equipment at these premises.

The bank has guaranteed two bonds to suppliers totalling £370,000 (2017: £370,000).

For the period ended 31 December 2018 the Company did not meet its EBITDA interest cover covenants on its bank loan which had a balance at the reporting date of £3,786,320. The bank issued a waiver letter after the reporting date for this and for any further issues which might occur in the period to 30 June 2019. No further breaches have occurred since 30 June 2019 and the original repayment terms have been observed. The full amount of the loan has been classified as a current liability at 31 December 2018 on the basis that the loan was technically repayable on demand at that date. Interest at an average rate of 3% above LIBOR is payable on the bank loan. The bank loan is repayable in quarterly instalments of £53,000 and a final instalment of £4,095,320. The loan is subject to interest cover and loan to value covenants.

Interest at 3.25% above base rate is payable on the overdraft.

### 21 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Less than one year	39,593	37,739
Between one and five years	57,613	61,372
	<u>97,206</u>	<u>99,111</u>

Finance lease payments represent amounts payable by the Company for certain items of plant and machinery. No restrictions are placed on the use of the assets. Lease terms are typically 3-4 years.

### 22 Financial instruments

	2018 £	2017 as restated £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	<u>5,603,004</u>	<u>5,376,337</u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	<u>21,479,949</u>	<u>18,868,267</u>

### 23 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	24	<u>968,205</u>	<u>1,008,426</u>

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 24. Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
<b>Balances:</b>		
Short term timing differences	4,984	(14)
Excess of capital allowances over depreciation	93,049	54,547
Retirement benefit obligations	(215,220)	(219,130)
Revaluation of freehold land	790,879	790,879
Revaluation of freehold buildings	379,003	382,144
Losses carried forward	(84,490)	-
	<u>968,205</u>	<u>1,008,426</u>
<b>Movements in the year:</b>		<b>2018 £</b>
Liability at 1 January 2018		1,008,426
Credit to profit or loss		(4,440)
Credit to other comprehensive income		(35,781)
Liability at 31 December 2018		<u>968,205</u>

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 25 Share capital

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
5,600 Ordinary shares of £10 each	56,000	56,000
400 Non-voting ordinary shares of £10 each	4,000	4,000
	<u>60,000</u>	<u>60,000</u>
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
2017 - 500 3½% cumulative preference shares of £10 each	-	5,000
	<u>-</u>	<u>5,000</u>

#### Cumulative preference shares

The Company is authorised to purchase its own shares by its Articles of Association and approval by the shareholders at the Annual General Meeting.

During the year the Company purchased 500 of its own 3.5% cumulative preference shares of £10 each out of distributable reserves for £5,025 (including stamp duty of £25). On the same date the 500 repurchased 3.5% cumulative preference shares were cancelled and a transfer was made to the Capital Redemption Reserve of £5,000, being the nominal value of the shares cancelled.

#### Ordinary share rights

The Company's ordinary shares carry no right to fixed income. The 5,600 shares of £10 each carry the right to one vote at general meetings of the Company.

# HAYNES BROTHERS,LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 26. Cash generated from operations

	2018 £	2017 as restated £
(Loss)/profit for the year after tax	(120,121)	593,663
<b>Adjustments for:</b>		
Taxation (credited)/charged	(5,683)	138,422
Finance costs	203,240	213,761
Loss on disposal of tangible fixed assets	5,828	-
Depreciation and impairment of tangible fixed assets	431,534	342,250
Pension scheme contribution	(246,000)	(250,000)
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(2,319,026)	1,588,640
Decrease/(increase) in debtors	328,529	(1,320,446)
Increase/(decrease) in creditors	2,364,479	(662,899)
<b>Cash generated from operations</b>	<b>642,780</b>	<b>643,391</b>

The principal non-cash transactions are acquisitions of tangible fixed assets by means of a finance lease of £54,367 (2017: £97,210).

### 27 Reserves

#### Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings net of deferred tax. Excess depreciation charged on revalued buildings over the historical cost depreciation is transferred from the revaluation reserve to the profit and loss reserve annually. When the revalued land and buildings are disposed of, the cumulative revaluation gains and losses, net of deferred tax, are transferred to the profit and loss reserve.

#### Capital redemption reserve

The nominal value of shares purchased and subsequently cancelled. In the current year £5,000 was transferred from the profit and loss reserve to the capital redemption reserve being the nominal value of preference shares cancelled in the year.

#### Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

# HAYNES BROTHERS, LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 28 Operating lease commitments

#### Lessee

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	137,750	306,416
Between one and five years	482,000	613,714
In over five years	297,021	380,438
	<u>916,771</u>	<u>1,300,568</u>

### 29 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2018 £	2017 £
Acquisition of tangible fixed assets	<u>55,000</u>	<u>-</u>

### 30 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, which includes Directors, is as follows.

	2018 £	2017 as restated £
Aggregate compensation	<u>731,052</u>	<u>721,493</u>

Key management personnel remuneration disclosure for 2017 has been restated by £11,230 to correctly reflect all benefits received.

Dividends of £84,079 (2017: £105,079) were payable to Directors in the year.

### 31 Controlling party

Mr A.D.S. Haynes is the ultimate controlling party.